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SUBJECT: KAOHSIUNG LEADERS ON UPCOMING LEGISLATIVE AND PRESIDENTIAL ELECTIONS

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¶11. (SBU) Summary: During a January 3 trip to the south, Director Young discussed the upcoming legislative and presidential elections with Kaohsiung Mayor Chen Chu (DPP), Kaohsiung County Magistrate Yang Chiu-hsing (DPP) and Kuomintang (KMT) Kaohsiung City Chairman Hsu Fu-ming. Mayor Chen and Magistrate Yang both predicted the DPP will fare poorly in the Legislative Yuan (LY) elections because the new electoral system featuring smaller single member districts disadvantages DPP candidates. They also opined that some of President Chen Shui-bian's recent speeches have actually done damage to the DPP's prospects. All three interlocutors indicated the economy is the key campaign issue, saying the poor economic performance of the ruling DPP has dampened support for its candidates. The KMT's Hsu Fu-ming reported that presidential candidate Ma Ying-jeou has won support from the business community in the South for his advocacy of unfettered cross-Strait links. End summary.

January 12 Legislative Elections

¶12. (SBU) The new electoral system featuring smaller single member districts is disadvantageous to DPP candidates, Mayor Chen and Magistrate Yang separately observed. They predicted the DPP will do poorly in the upcoming legislative elections on January 12. President Chen's prediction that the DPP can win 45-50 of 73 district seats is too optimistic, Yang suggested, adding that the recent campaign speeches by the President have hurt DPP prospects. Although no one dares admonish President Chen directly, Yang revealed that he has tried to hint to the President that he should not talk too much during the campaign. Mayor Chen complained that media outlets have taken sides, often distorting and exaggerating the President's remarks. According to KMT City Chairman Hsu, President Chen's campaign efforts are no longer effective for the DPP, but definitely help boost KMT support, so "the KMT hopes that he will come more often to the south."

¶13. (SBU) Hsu cited a recent survey indicating increased support for KMT candidates in Kaohsiung City. The KMT has a chance to win 3 out of 5 seats in Kaohsiung City and 2 out of 4 seats in Kaohsiung County, he said. Magistrate Yang and Mayor Chen agreed that the DPP and KMT might each win two seats in Kaohsiung County, while Mayor Chen predicted the DPP will win 3 seats in Kaohsiung City. Both Yang and Hsu believe turnout for the legislative elections will be around 60 percent. (Note: The turnout rate in Taiwan overall in the last two LY elections was 66 percent in 2001 and 59 percent in

12004.

Economy is the Key Issue

14. (SBU) Rather surprisingly, both Magistrate Yang and Mayor Chen indicated the economy, not Taiwan identity, is the main issue in the election. According to Yang, President Chen's made a mistake last year in not following his advice to increase government salaries. Such a move would have led private companies to follow the government's lead, thus easing economic hardship. The KMT's Hsu stated that Ma Ying-jeou's policy on direct cross-Straits links has won support from most business circles and would increase votes for Ma during the presidential elections. Moreover, KMT vice presidential candidate Vincent Siew is an important campaigner for Ma in Southern Taiwan because he can address economic issues in the Taiwanese dialect. Yang, on the other hand, indicated that Frank Hsieh's proposed policy on lifting foreign investment limitations for high-tech industries in China is aimed at capturing support from swing voters. He further pointed out that the next president, no matter who he is, may open direct air links with China, simply by using a different name for the links.

Presidential Election - Hsieh Versus Ma

15. (SBU) Chen Chu and Yang acknowledged that President Chen has thus far dominated the LY election campaigns, eclipsing the party's candidate Frank Hsieh. However, they pointed out, President Chen is just doing his job as party chairman. They predicted that Frank Hsieh would take charge of his presidential campaign after the January 12 legislative elections. Yang believed President Chen will have to take responsibility for a poor performance in the legislative elections by resigning his DPP chairmanship. Mayor Chen commended President Chen for his diligent and passionate

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campaigning, but stressed that the DPP party should "stay on message" in its election campaigns. Chen emphasized that Frank Hsieh is campaigning mostly in central and northern Taiwan since he already has an upper hand in southern Taiwan, having served in Kaohsiung City as Mayor from 1998-2005. As Hsieh's Kaohsiung City campaign manager Chen Chu believes she is best positioned to do his campaigning in Kaohsiung at this stage.

16. (SBU) Mayor Chen praised Frank Hsieh as a good administrator with vision and political wisdom. Chen Chu and Yang predicted that Frank Hsieh, if elected president, will definitely do a better job than President Chen in maintaining a good relationship with the U.S. and seeking peaceful ways to deal with China. Both Chen and Yang reiterated that Frank Hsieh represents real Taiwan people, Yang noting that Ma Ying-jeou was born in Hong Kong, and Ma's stance on unification with China raises real concerns among Taiwanese. Yang concluded that "Taiwan identity" (bentu) will still be an important issue in the upcoming presidential election, and Mayor Chen stressed "she was not pessimistic about Frank Hsieh's presidential prospects."

Vote Buying

17. (SBU) Chen Chu complained that the new smaller district constituencies make vote-buying easier in legislative elections, benefiting the more developed and organized KMT political networks. Vote buying is a "public secret", which indicates a lack of maturity that continues to affect the development of Taiwan's democracy. On the other hand, the KMT's Hsu held that his party is in no position to buy votes since the DPP holds all the administrative resources and the KMT has sold most of its assets. He also expressed concern that Frank Hsieh's camp will buy votes in certain areas in Kaohsiung to get out the vote, claiming that Hsieh has "people" to do vote buying due to his deep connections as a former mayor.

UN Referendum

18. (SBU) Although joining the United Nations is the wish of Taiwan people, Yang said he realizes this is a difficult task. He mentioned with some hesitation that the two UN referenda may not pass because a referendum requires the participation of 50 percent

of eligible voters. KMT Hsu said that although the KMT called on people not to vote on the referenda being held simultaneously with the legislative elections, the party may not do the same for the UN referenda which will be held together with the presidential election in March. The KMT fears it could be accused by the DPP of "not loving Taiwan," which would negatively affect its presidential candidate, Hsu explained.

China's Threat to Taiwan's Diplomatic Ties

¶9. (SBU) Yang expressed concern about Taiwan's loss of diplomatic ties with some countries due to Chinese pressure. Yang said he has advised President Chen not to make more trips abroad because these trips often result in diplomatic loses afterwards.

Comment

¶10. (SBU) The perception of a sub-par performance by the ruling DPP on Taiwan's economy has indeed eroded the DPP's support to some extent in the South. Although the KMT hopes addressing the economic issue in its campaign will bring more support to its presidential candidate Ma Ying-jeou, they are aware that Ma will always be vulnerable on the Taiwan identity issue. Mayor Chen and Magistrate Yang's expectation of a poor outcome for the DPP in the upcoming legislative elections on January 12 echoes the predictions of many others in southern Taiwan.

Thiele

Young